

## **THE RELATIONSHIP BETWEEN CONSUMER BEHAVIOR AND FACTORS INFLUENCING CONSUMERS IN PURCHASING A HOUSE IN RAYONG**

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### **ABSTRACT**

This research aims to examine consumer house-buying behavior from the consumers' perspective; to determine house purchasing decisions toward consumer demographics, marketing factors and internal factors, and to explore the association between these factors and the consumer behavior in purchasing houses.

There were 403 respondents who were conveniently selected from people who work or live in Rayong and looking for a house or intending to purchase a house. The majority was 204 females, ages between 25-35 years old, family size of 3-4 people, and married. Most of them earned a bachelor degree and worked as an employee for private companies with average monthly income between 15,000-35,000 Baht. The research used descriptive statistics i.e. mean, standard deviation to present the respondent's demographic profiles, the important levels of marketing and internal factors on the decision making of house-buying behavior. Chi-square was employed to test the hypotheses at the significant level of 0.5.

The results indicated that the consumers did not buy houses because of the brand, yet because of their quality and design. The majority of the respondents bought houses for living and preferred non-polluted environment as the first prior. For marketing factors, price was the most important factor influencing the purchasing decision. Furthermore, the results also shown that the importance level of product has a significant relationship with product choice, brand choice, and payment method; the importance level of price has a significant relationship with product choice, purchase timing, and payment method; the importance level of place has a significant relationship with product choice and payment method, yet the importance level of promotion has a significant relationship only with payment method.

Considering the internal factors, the involvement level has a significant relationship with product choice, brand choice, dealer choice, purchase timing, and payment method; feeling has a significant relationship with only product choice, brand choice, and payment method; experience has a significant relationship with product choice, purchase timing, and payment method; knowledge has a significant relationship with only product choice and payment method and personality has a significant relationship with purchase timing and payment method.

**Keywords:** Consumer behavior, house, purchasing, decision-making, Rayong

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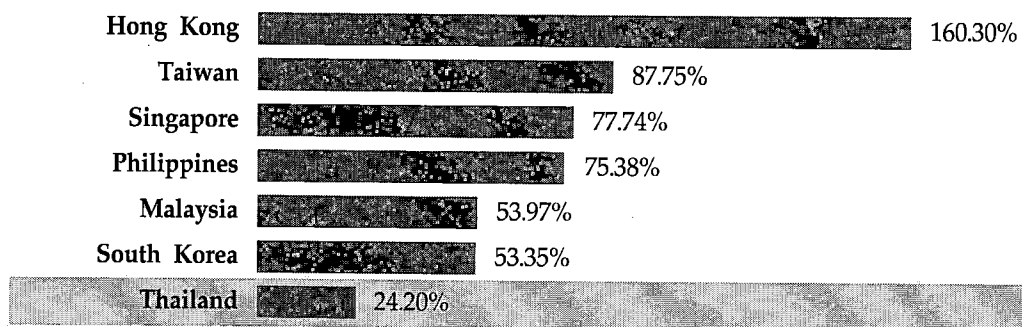
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## Introduction

House is an important asset for Thai residents and make a large part of the owner's wealth. Even after the Asian financial crisis in 1997 which resulted in declining value of the real estate in Thailand for several years, the value of these real estate today is growing year by year (Bank of Thailand, 2012). Nowadays housing, as one of the real estate products becomes a vital role in Thai economy,

studies on purchasing houses are virtually important (Ariyawansa, 2007). However, when looking into the price of housing in Thailand, it is somewhat lower when compared to other countries in the region, as shown in Figure 1-1 (*Global Property Guide, 2012*). This could be a great opportunity for purchasing house either as a resident or an investment, especially in the industrial areas of Thailand in which the economic still good.

Figure 1: Housing price changes over 10 years (%).



Source: Global Property Guide. House Price Changes, 10 Years (%) - Thailand Compared to Continent. Retrieved December, 2012

Rayong province is one of the biggest industrial areas in Thailand and the real estate is a booming industry; the lands and housing prices increasing about 20% each year (*Thansettakij, 2012, pp 8-11*). The needs and wants of today's consumer have changed greatly from the past and there are various factors to consider before making a decision. Hence it is important to study the association between consumer behavior and factors influencing their house purchasing. The association can help to establish strategies or policies to confront with numerous barriers and a high market competition (*Kotler, 2003; Kotler & Keller, 2009*). The way to cross over this barrier is create consumer acceptance of houses through understanding when they intend to purchase from housing characteristics, prices, locations, and promotions, i.e. marketing factors (*Kotler, 2003*). Furthermore, consumer acceptance also creates an understanding of internal factors like involvement, feeling, experience, knowledge, motivation, and

personality (*Mateja & Irena, 2009*). In addition, this study examined which factors are the most important for the customer to make a decision in purchasing houses. Houses in this research refers to single detached houses and town houses.

This study aims to fulfill the knowledge gap of those who are engaged in Thai housing market activities such as developers, investors, buyers, sellers, scholars, etc. They should be concerned with the customer's need and insights to provide satisfactory houses and create appropriate strategies to meet customer's needs. The information of this study is a signal that we could utilize the results to anticipate customer's requirements of houses.

## Objectives of the Study

Three objectives of this study are:

1. To examine consumer house-buying behavior from the consumers' perspective;
2. To study the important of marketing factors and

internal factors towards house purchasing decision in Rayong province;

3. To explore the how likely the factors i.e. demographic factors, marketing factors, and internal factors associating with the consumer behavior in purchasing houses in terms of product choice, brand choice, dealer choice, purchase timing, and payment methods (Kotler, 2003; Kotler & Keller, 2009; Mateja & Irena, 2009).

### Literature reviews

Kotler and Armstrong (2001) stated that 'consumer buyer behavior refers to the buying behavior of final consumers - individuals and households who buy goods and services for personal consumption'. Schiffman & Kanuk (1994) defined consumer behavior as the behaviors that consumers behave when searching, buying, using, evaluating and disposing of products and services that fulfill their expectations.

The field of consumer behavior studies how individuals, groups, and organizations choose, purchase, use, and dispose of goods, services, ideas, or experiences to satisfy their needs and desires (Kotler & Keller, 2009; Kotler, 2003; Kotler and Armstrong, 2001). Reasons for buying or not buying the goods are significant for marketers to consider. If marketers understand their customer knowledge base to find the differences that drives customers' buying-decisions. This fact-base analytic can predict propensity to buy of customer and better competitive advantages (Newell, 1997). According to the concepts and theories mentioned above, 'consumer behavior' means a various stages of thought that consumers had before making a purchase to meet up their satisfaction. Therefore, by analyzing consumer behavior we can arrange the marketing strategies to serve to consumer satisfaction.

Kotler and Keller (2009) stated that the consumer considers five aspects when making a purchasing decision, which are product choice, brand choice, dealer choice, purchase amount, purchase timing, and payment methods. However, as this research studies about residence house purchasing, which the customers are generally purchase a house not

many, so purchase amount is consider irrelevant to this scope of study.

Mateja & Irena (2009) and Hoyer & MacInnis (2007) defined six internal determinants of consumer behavior concept, which are involvement, feeling, experience, knowledge, motivation and personality. Involvement can also divided into four types (Sara, Amin, & Fatemeh, 2011), which are product involvement (low or high), consumer involvement, time aspect involvement (situational and enduring involvement, and mind involvement. Regarding feeling, Hoyer and MacInnis (2007) stated that emotions play powerful role in consumer behavior. Positive and negative emotions as well as specific emotions like hope, regret, guilt, embarrassment, and general moods can affect how consumers think, the choices they make, how they feel after making a decision, what they remember, and how they enjoy an experience. Emotions like love sometimes describe how we feel about certain brands or possessions. Consumers often use products to regulate their feelings (Hoyer and MacInnis, 2007). Experiences that occur during acquisition, consumption, or disposition, yet can be equally important source of consumer knowledge. However, the information gained from experience is not always accurate and may be biased and mistaken (Hoyer & MacInnis, 2007). Product experience credibly influences consumer behavior because a consumer's personal experience with a product subtly affects their beliefs and draws the consumer in. In addition, experience can gain from word of mouth (WOM) communication. WOM might be uttered either before or after a purchase and it can operate as an important source of pre-purchase information (Francis, 1998).

Regarding knowledge, information processing describes the series of steps by which information is encountered through some exposure to a person's senses, attended to, interpreted, understood and accepted, and stored in memory for future use in making decisions (McGuire, 1976). Elaboration via mental processing transforms this information into beliefs, attitudes and intentions that determine product choice and related aspects of purchase. People are also more receptive to information

that maintains or enhances consistency with their beliefs and attitudes while they avoid information that challenges their beliefs and attitudes (McGuire, 1972). Thus, real estate marketers may encounter difficulty in communicating with potential buyers and tenants until the consumer has recognized a need for a move. When a consumer pays attention to a stimulus, he or she attaches meaning to it. This meaning will depend on how a stimulus is categorized and elaborated in terms of existing knowledge. Consumers store information in memory in the form of associations (Anderson, 1983). According to the associative network concept, memory consists of a series of concepts and links between those concepts. A network of these concepts and links about a product are combined into a high-order knowledge structure called a schema (Alba & Lynn, 1983). Thus, as a consumer processes a new piece of information, he will categorize that information and integrate it with his current knowledge. The degree of integration between the stimulus and existing knowledge that occurs while a stimulus is being processed will influence the amount of learning that takes place (Craik & Michael, 1973). Someone who has a recognized need will more actively process information, resulting in greater elaboration and learning. A developer or property manager may make use of the memory network by using a family brand name for all properties or giving an office park a name that is easily associated with a landmark.

Motivation is the force that drives a person to buy and use a good or service. It explains why people buy what they do and what they are trying to accomplish. The needs arise from discrepancies between actual and desired states of being and can be classified as utilitarian or hedonic/ experiential needs. Utilitarian needs lead to consideration of objective product attributes or benefits, whereas hedonic needs elicit subjective responses, pleasures, and aesthetic considerations (Havlena & Holbrook, 1986). It is common for utilitarian and hedonic needs to function simultaneously in a purchase decision (Srinivasan, 1987). As the discrepancy between the desired and actual state of being increases, a

condition of arousal called a drive is activated. When the drive becomes strong enough, the consumer will take action in an attempt to satisfy the perceived need. Wants refer to specific products that consumers believe will satisfy the need. Benefits are what consumers derive from products and the reasons they want them (Foxall & Goldsmith, 1994). Thus, a real estate buyer may be trying to satisfy both a utilitarian need for space and a hedonic need for status simultaneously. An accurate valuation model must consider that the benefits the buyer is expecting are not limited to financial rewards.

Personality accounts for consistent patterns of behavior based on enduring psychological characteristics (Kassarjian, 1971). It is the pattern of traits and behaviors that makes one individual unique and different from all others. Personality may be described using the psychoanalytic (Wells & Beard, 1973), socio-psychological (Hall & Lindzey, 1970), or trait-factor theories (Buss & Poley, 1976). In general, personality appears to be related to how consumers make decisions about innovative products (Foxall & Seema, 1993). Consumers' responses relative to risk is related to personality. Risk takers tend to be thrill seekers with a need for stimulation and easily become bored. They are likely to list success and competence as their goals in life in contrast to risk avoiders, who list happiness as their first choice (Farley, 1986). Some consumers are more self-monitoring, that is, they are less influenced by external forces (Snyder, 1979). Thus, a consumer's personality may affect his real estate investment choices. A risk taker is more likely to consider purchasing a run-down property in a marginal neighborhood, planning to improve the property and take advantage of neighborhood improvements. A risk taker would also be more likely to choose an adjustable rate mortgage than a risk avoider, no matter what the financial comparison shows.

Based on the aforementioned literatures, the conceptual framework for this study can be drawn as shown in Figure 2

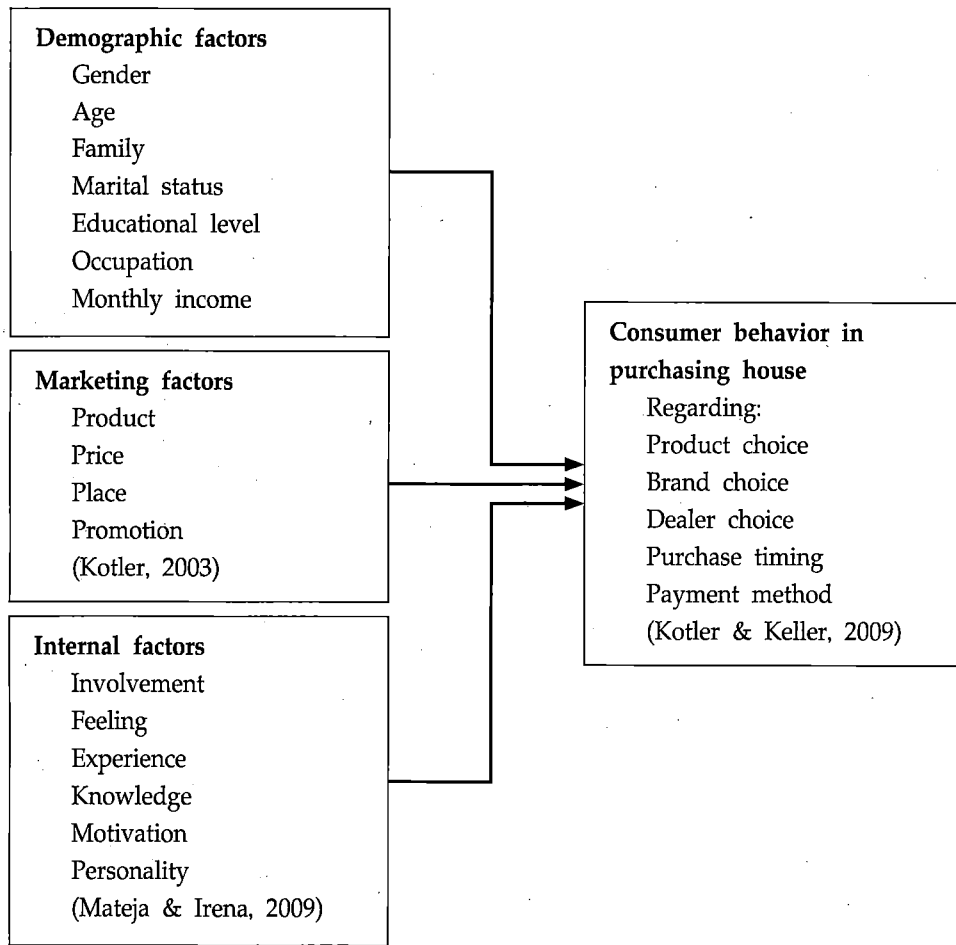


Figure 2: Conceptual framework of this study

### Research Methodology

This study was a survey research studying the association between the studied factors and consumer behavior in purchasing a house in Rayong. Questionnaire was developed and employed to gather the required data from December 2012 to January 2013. Finally, there were 403 conveniently drawn respondents who are Rayong residents and ages between 25-54 years. The respondent rate was 95.95 percent.

### Results of the study

Data analysis of the demographic information of 403 samples indicated that the majority was 204 females (50.6%), ages between 25-35 years old (42.9%), family size of 3-4 people (53.1%), and married (45.4%). Most of them earned a bachelor degree (61.8%) and worked as an employee for

private companies (54.3%) with average monthly income between 15,000-35,000 Baht (36.7%).

For marketing factors, price was the most important factor influencing the purchasing decision (*mean score at 4.28 and standard deviation of 0.66*), followed by place, product and promotion, respectively. In the aspect of the internal factors, motivation was the most important factor (*mean score at 4.16 and standard deviation of 0.55*), followed by feeling, personality, knowledge, involvement and experience, respectively.

Moreover, the hypothesis testing indicated that each group of respondents with distinct demographic categories, that is to say different in gender, age, family size, marital status, educational level, occupation, monthly income, are likely to have a different purchasing behaviors, as details below:

People with different genders have a different product choice at the significant level of 0.01. People with different age ranges are likely to have a different product choice, brand choice, and payment method preferred at the significant level of 0.05. Size of family was also likely to associate with different product choice, and payment method at the significant level of 0.05. People with different marital status are likely to have a distinct product choice, dealer choice, and payment method preferences at the significant level of 0.05. Educational level was likely to associate with brand choice and payment method at the significant level of 0.05. Different in occupation was likely to result in different product choice and payment method at the significant level of 0.05. Last, different in monthly income was likely to associate with product choice, brand choice, dealer choice, purchase timing, and payment method at the significant level of 0.05.

Furthermore, when exploring whether marketing factors and internal factors with different important level are likely to cause different house purchasing behaviors at the significant level of 0.05, the results shown that the importance level of product has a significant relationship with product choice, brand choice, and payment method; the importance level of price has a significant relationship with product choice, purchase timing, and payment method; the importance level of place has a significant relationship with product choice and payment method, yet the importance level of promotion has a significant relationship only with payment method.

Considering the important of the internal factors at the significant level of 0.05, it was found that the importance level of involvement has a significant relationship with product choice, brand choice, dealer choice, purchase timing, and payment method; the importance level of feeling has a significant relationship with product choice, brand choice, and payment method; the importance level of experience has a significant relationship with product choice, purchase timing, and payment method; the importance level of knowledge has a significant relationship with product choice and payment method; the importance level of personality has a significant relationship

with purchase timing and payment method. However, important level of motivation was unlikely to associate with the purchasing behavior.

### **Discussions and recommendations**

According to this research findings, discussions and recommendations can be drawn as follows:

1. Management teams of a real estate company may establish target groups for their specific products and consider the marketing-mixes to create a marketing strategy to satisfy the customer expectations. For example, people with a different age range are likely to have a different product choice, brand choice, and payment method. This implies that the management teams should launch a product that matches their target customer with certain age range, offer payment methods that their target customers would preferred. In this case, the target group was 25-35 years old who preferred 8,000 Baht for a monthly installation. Moreover, the results of brand choice that the target ages prefer can be used to develop a target product to meet customers' requirements. Family sizes also associate with product choice and payment method. This implies that the target product should be suitable and contain enough space for the target families. Since a big family will have higher expense than a small family, the management teams can consider this before determine their payment policy. Therefore, depending on the target customers, target product, target brand, sale location, target price, and so on that the project owners set, they should develop various strategies to meet their target customer expectations and requirements.

2. In terms of product, the housing developers should provide good quality and durable houses, which are modern, good looking and trendy in style. Moreover, the developers should provide free after-services in a suitable range of time. Product strategies should be concentrated on unique design, premium products. In terms of price, developers should build or provide good quality houses at a reasonable price to serve the customers' needs from price policy of 'reasonable price'. Pricing strategies, the most appropriate strategies would be a price

bundling (can be used for selling townhouses), premium pricing (to offering build-in furniture and interior decoration), and coupons/discounts. When considering place, nowadays, people are more health concerned. The developers should consider to build in a non-polluted environment area as the first priority when looking for the location of housing projects and also easy to commute. In addition, if there are no facilities around then the developers may provide or consider building a community mall to attract more customers. Last but not least, promotion, it is important to have a showroom with a good sales promotion announced to the public and educate them with product knowledge. Social media, product giveaways, and customer referral incentive programs (to encourage current customers to refer new customers to buy the product by giving big discounts or cash rewards to current customers) could also be utilized as promotional strategies.

3. Consider the internal factors, Involvement, the results indicated that creating a customer involvement will have a relatively low efficiency. However, possession feeling is one of the most important factors that impact the buying decision. Developers can conduct experiments and further research to find out deeper insights and utilize them to develop houses. Experience, customer experience has a highly influence on their decision to select product type, preparation time and payment method. By knowing the background of the target customers, the developers would be able to develop houses to satisfy customers and establish a good marketing strategy. In terms of knowledge, the study shown that the developers should educate their target customers by using a powerful communication strategy, especially about their products and brands. Although motivation has no relationship with buying behavior, many consumers are willing to buy a house just because they want to live there. Developers should find out why people want to live in their housing project and the results can be used to promote their products (similar to strength and weakness in SWOT analysis). Since personality was likely to affect purchase timing and payment method as a confident and rational person will

use less preparation time and decide thing quicker than other types of people. It may be difficult to find out the personality of the target customers but we can determine the majority personality of our target customers through selection of the target occupation of the customers and use it to develop marketing strategy.

Further, real estate companies may employ this research results to improve and develop their products and marketing strategies to meet customer needs and customer satisfaction. Moreover, the new entrepreneurs who are interested in the housing industry can consider this research as information before making decisions to invest or enter the housing market. The developers should also concentrate and use at least a standard of housing materials. Additionally, they should hire skilled workers and professionals who capable to work. Since buyers focus on quality of the house, this can motivate them to purchase the house. Furthermore, the location of the house should have a non-polluted environment and be convenient for transportation. The manufacturers should set reasonable prices that can meet the quality of the house and can compete in the market. Moreover, the management team should know how to apply marketing strategies to create beneficial communication to impress and acquire consumers. Since, the effective channels of promotion are 'housing samples or showroom' and 'sales promotions', they should provide a house model, a layout of the house's location and layout of the house. For sales promotion they should provide a premium or discount that is appropriate with the time and value of house. Lastly, the real estate manufacturing in Rayong should know that local people tend to buy houses neither because of brand nor word-of-mouth. They buy because they want to live there, they want to own it, and they want to invest in long-term investment. In addition, the first impression of the house and possession feeling also influence their buying decisions.

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